

Assembly Bill No. 1963

Passed the Assembly August 30, 2012

Chief Clerk of the Assembly

Passed the Senate August 23, 2012

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2012, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to repeal Section 38 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 1963, Huber. Income taxes: sales and use taxes: Legislative Analyst's Office: report.

Existing law imposes taxes based upon taxable income, at specified rates, and imposes state sales and use taxes on retailers and on the storage, use, or other consumption of tangible personal property in this state.

This bill would require the Legislative Analyst's Office to assess potential changes to the laws described above in order to reduce revenue volatility and to provide a report including these assessments to the Legislature on or before July 1, 2013. This bill also would repeal obsolete provisions requiring a report by the Legislative Analyst to the Legislature in 2004.

The people of the State of California do enact as follows:

SECTION 1. Section 38 of the Revenue and Taxation Code is repealed.

SEC. 2. (a) It is the intent of the Legislature to reduce General Fund revenue volatility, as identified in the January 2005 report by the Legislative Analyst's Office. To achieve this objective, the Legislature must have an analysis of the methods by which a reduction in revenue volatility may be achieved without a reduction or increase in the total available revenue.

(b) On or before July 1, 2013, the Legislative Analyst's Office shall submit a report to the Legislature assessing potential changes to the state income and sales and use tax laws in order to reduce revenue volatility, diversify revenue sources, and improve California's economic climate. The report shall include, but is not limited to, the following:

(1) A review of California's current and historical revenue volatility, including, but not limited to, the percentage of the gross

state product that is made up by the General Fund budget over a period of 10 years.

(2) Proposals for tax reforms that would end California's revenue volatility, are sum revenue neutral, and do not require amendments to, or revisions of, the California Constitution. To the extent possible, the Legislative Analyst shall use dynamic revenue modeling in determining viable proposals in order to provide an accurate picture of the impact any proposed tax reforms would have on state revenues.

(3) An explanation of the calculations needed to determine revenue neutrality.

(4) An analysis of the effect a reduction of taxation on individual income would have upon state revenues and revenue volatility.

(5) An analysis of the effect of imposing a tax on the sale or use of services, concurrent with a reduction of the sales and use tax rate, would have upon state revenues and revenue volatility. This analysis shall include whether a credit or exemption to the services tax should apply to the sale of services between businesses. This analysis shall also include the positive or negative revenue impact of excluding the following services from a tax on services:

- (A) Necessary or licensed medical services.
- (B) Services related to education.
- (C) Automotive repair services.
- (D) Accounting, auditing, and other services provided by licensed accountants or licensed accounting firms.
- (E) Legal services provided by licensed attorneys.
- (F) Services related to agriculture and livestock.
- (G) Services related to housing, real estate, and construction.
- (H) Services related to banking.
- (I) Securities and investment management services.

Approved _____, 2012

Governor